

RABER TOWNSHIP

GENERAL PURPOSE FINANCIAL STATEMENTS

Year Ended March 31, 2004

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

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DIVISION FOR CPA FIRMS

MEMBER MACPA

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Raber Township
Chippewa County, Michigan

We have audited the accompanying general purpose financial statements (cash basis) of Raber Township, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Raber Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note B, Raber Township prepares its general purpose financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As described more fully in Note B, the general purpose financial statements referred to above include the general fixed asset account group, however we were not able to substantiate the cost of fixed assets by our procedures. The amount recorded in the general fixed asset account group is \$516,554.

In our opinion, except for the effects on the financial statements of the items described in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Raber Township, at March 31, 2004, and the results of its operations for the year then ended in conformity on the basis of accounting described in Note B.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Raber Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Anderson Tackman & Co P/C

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 30, 2004

RABER TOWNSHIP
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
(CASH BASIS)
FOR THE YEAR ENDED MARCH 31, 2004

	Governmental Fund Types		Fiduciary Fund Type	Account Group	Totals (Memorandum Only)
	General	Special Revenue	Agency	General Fixed Assets	
ASSETS AND OTHER DEBITS:					
Cash and cash equivalents	\$ 85,982	\$ 134,876	\$ 296	\$ -	\$ 221,154
Property, plant & equipment	-	-	-	516,554	516,554
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 85,982</u>	<u>\$ 134,876</u>	<u>\$ 296</u>	<u>\$ 516,554</u>	<u>\$ 737,708</u>
LIABILITIES:					
Due to other governmental units	\$ -	\$ -	\$ 296	\$ -	\$ 296
Other liabilities	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>296</u>	<u>-</u>	<u>296</u>
FUND EQUITY AND OTHER CREDITS:					
Investment in general fixed assets	-	-	-	516,554	516,554
Fund balance:					
Undesignated	85,982	134,876	-	-	220,858
TOTAL FUND EQUITY AND OTHER CREDITS	<u>85,982</u>	<u>134,876</u>	<u>-</u>	<u>516,554</u>	<u>737,412</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u>\$ 85,982</u>	<u>\$ 134,876</u>	<u>\$ 296</u>	<u>\$ 516,554</u>	<u>\$ 737,708</u>

See accompanying notes to general purpose financial statements.

RABER TOWNSHIP
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED MARCH 31, 2004

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
REVENUES:			
Taxes	\$ 42,941	\$ 72,093	\$ 115,034
Intergovernmental revenue	58,356	1,503	59,859
Charges for services	13,015	5,817	18,832
Interest on deposits	946	1,180	2,126
Other revenue	11,040	1,847	12,887
TOTAL REVENUES	126,298	82,440	208,738
EXPENDITURES:			
General Government	107,903	1,396	109,299
Public Safety	-	17,408	17,408
Public Works	-	1,851	1,851
Other	8,239	-	8,239
TOTAL EXPENDITURES	116,142	20,655	136,797
EXCESS OF REVENUES OVER EXPENDITURES	10,156	61,785	71,941
FUND BALANCES, APRIL 1	75,826	73,091	148,917
FUND BALANCES, MARCH 31	\$ 85,982	\$ 134,876	\$ 220,858

See accompanying notes to general purpose financial statements.

RABER TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
GENERAL AND SPECIAL REVENUE FUNDS
(CASH BASIS)
FOR THE YEAR ENDED MARCH 31, 2004

	General			Special Revenue		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:						
Taxes	\$ 32,020	\$ 42,941	\$ 10,921	\$ 63,424	\$ 72,093	\$ 8,669
Intergovernmental revenue	60,885	58,356	(2,529)	-	1,503	1,503
Charges for services	9,310	13,015	3,705	5,275	5,817	542
Interest on deposits	1,250	946	(304)	-	1,180	1,180
Other revenue	4,400	11,040	6,640	10,265	1,847	(8,418)
TOTAL REVENUES	107,865	126,298	18,433	78,964	82,440	3,476
EXPENDITURES:						
General Government	117,147	107,903	9,244	-	1,396	(1,396)
Public Safety	-	-	-	53,170	17,408	35,762
Public Works	-	-	-	43,330	1,851	41,479
Other	8,025	8,239	(214)	-	-	-
TOTAL EXPENDITURES	125,172	116,142	9,030	96,500	20,655	75,845
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (17,307)	10,156	\$ 27,463	\$ (17,536)	61,785	\$ 79,321
FUND BALANCES, APRIL 1		75,826			73,091	
FUND BALANCES(DEFICIT), MARCH 31		\$ 85,982			\$ 134,876	

See accompanying notes to general purpose financial statements.

RABER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A - REPORTING ENTITY:

Raber Township ("The Township") is a regular law Michigan Township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and health services.

The Township, for financial purposes, includes all of the funds and account groups relevant to the operations of Raber Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Raber Township.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Fund Accounting - The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

GOVERNMENT FUND TYPES:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects), requiring separate accounting because of legal or regulatory provisions or administrative action. The following special revenue funds are maintained by the Township: Ambulance Fund, Fire Fund and Cemetery Fund.

FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held in trust as an agent for others. The trust and agency funds maintained by the Township are the Current Tax Collection and Children's Fund.

RABER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

- (2) Basis of Accounting - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Agency Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets.

Their reported fund balance (net current assets) is considered a measurement of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All Governmental Funds and Agency Funds are accounted for using the cash basis of accounting. This basis is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The financial statements exclude accrual items such as receivables and payables.

Expenditures are generally recognized under the cash basis of accounting when the related cash expenditure is paid or cash receipt is collected.

- (3) Budgets and Budgetary Accounting - The Supervisor prepares and submits a proposed operating budget for the General Fund and Special Revenue Funds to the Board of Trustees for its review and consideration. The Board conducts a public hearing and subsequently adopts the operating budget. The Board approves all budget amendments. The budget is adopted at the functional level and is prepared on the cash basis of accounting (Non GAAP) which is the same basis as the financial statements of the applicable funds. The budget and appropriations lapse at the end of the fiscal year.

- (4) Property Taxes - The Township property tax is levied each December 1 on the assessed valuation of property located in the Township as of the preceding December 31. Accordingly, these taxes are recorded as revenue in the year commencing April 1. Assessed values are established annually by the Township and equalized by the State. Real property within the Township for the 2004 fiscal year levy was assessed at \$24,437,100 representing taxable value. The Township's operating tax rate was 1.6105 mills, Road rate - 1.9522 mills and Fire rate of 0.7141 mills.

RABER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

In addition to collecting their taxes, the Township also acts as a collection agent for all over-lapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Unpaid taxes are subsequently turned over to the County Treasurer for collection. The County maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two to three months after the delivery of the delinquent bills.

The Township recognizes property taxes as revenue when received. Accordingly, no receivables for delinquent property taxes are reflected in the financial statements.

- (5) Fixed Assets - Fixed assets of governmental funds are normally reported in a "Fixed Assets Group of Accounts". The Township does not maintain detail records of their general fixed assets as required by generally accepted accounting principles, however annual costs were maintained.
- (6) Total Column on Combined Statements - The total column on the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation.
- (7) Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RABER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE C - CASH AND EQUIVALENTS:

The composition of cash and equivalents as reported in the combined balance sheet at March 31, 2004 is summarized below:

Cash and Cash Equivalents	\$ 221,154	Petty Cash	\$ (35)
		Checking	155,948
		Certificate of Deposit	65,241
	<u>\$ 221,154</u>		<u>\$ 221,154</u>

Deposits:

At year-end, the carrying amount of the Township's deposits was \$221,189 and the bank balance was \$225,839. Of the bank balance, \$145,902 as covered by federal depository insurance according to FDIC regulations.

These deposits are at a financial institution located in Chippewa County. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Statutory Authority:

Michigan law (Act 196 PA 1997) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.

RABER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE C - CASH AND EQUIVALENTS: (Continued)

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperation's act of 1967, 1967(Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

NOTE D - PENSION PLAN:

The Township has a defined contribution pension plan covering all full-time employees under IRC Section 401(a). The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$893. Total plan assets for fiscal 2004 were \$14,504.

NOTE E - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	Balance 04/01/03	Additions	Adjustments	Balance 03/31/04
Land and land Improvements	\$ 26,000	\$ -	\$ -	\$ 26,000
Buildings and Improvements	121,734	14,908	192,788	329,430
Equipment	<u>353,912</u>	<u>-</u>	<u>(192,788)</u>	<u>161,124</u>
Totals	<u>\$ 501,646</u>	<u>\$ 14,908</u>	<u>\$ -</u>	<u>\$ 516,554</u>

RABER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE F - EXCESS APPROPRIATIONS:

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for General and Special Revenue Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township incurred expenditures in the Funds which were in excess of the amount appropriated, as follows as listed on Page 5. Additionally, a budget was not adopted for the Cemetary Special Revenue Fund.

NOTE G - COMMITMENTS AND CONTINGENCIES:

Risk Management - The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

RABER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE G - COMMITMENTS AND CONTINGENCIES: (Continued)

The Township entered into an agreement in May 2004, with Chippewa County Road Commission for road projects totaling \$230,000. The contract calls for half down at the start of the project and the balance due upon completion.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

RABER TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(CASH BASIS)
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 32,020	\$ 42,941	\$ 10,921
Intergovernmental revenue	60,885	58,356	(2,529)
Charges for services	9,310	13,015	3,705
Interest on deposits	1,250	946	(304)
Other revenue	4,400	11,040	6,640
TOTAL REVENUES	107,865	126,298	18,433
EXPENDITURES:			
General Government:			
Township board	17,800	17,731	69
Supervisor	7,794	7,619	175
Elections	-	416	(416)
Clerk	8,300	6,901	1,399
Board of Review	1,400	623	777
Assessor	20,803	15,477	5,326
Treasurer	13,850	11,126	2,724
Township Hall	47,200	47,950	(750)
Board of Review	-	60	(60)
Total general government	117,147	107,903	9,244
Other:			
Pension	850	891	(41)
Payroll taxes	2,175	2,188	(13)
Health insurance	-	-	-
Insurance	5,000	5,160	(160)
Total other	8,025	8,239	(214)
TOTAL EXPENDITURES	125,172	116,142	9,030
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (17,307)	10,156	\$ 27,463
FUND BALANCE, APRIL 1		75,826	
FUND BALANCE, MARCH 31		\$ 85,982	

See accompanying auditors' report on supplemental financial information.

RABER TOWNSHIP
Special Revenue Funds
COMBINING BALANCE SHEET
(CASH BASIS)
FOR YEAR ENDED MARCH 31, 2004

	ROAD	FIRE	CEMETARY	Totals (Memorandum Only)
ASSETS:				
Cash and cash equivalents	\$ 93,684	\$ 41,008	\$ 184	\$ 134,876
	<hr/>	<hr/>	<hr/>	<hr/>
FUND EQUITY:				
Fund balance:				
Undesignated	\$ 93,684	\$ 41,008	\$ 184	\$ 134,876
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying auditors' report on supplemental financial information.

RABER TOWNSHIP
Special Revenue Funds
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(CASH BASIS)
FOR THE YEAR ENDED MARCH 31, 2004

	ROAD	FIRE	CEMETARY	Totals (Memorandum Only)
REVENUES:				
Taxes	\$ 52,494	\$ 19,599	\$ -	\$ 72,093
Intergovernmental revenue	-	1,503	-	1,503
Charges for services	-	5,817	-	5,817
Interest on deposits	897	283	-	1,180
Other revenue	1,222	-	625	1,847
TOTAL REVENUES	54,613	27,202	625	82,440
EXPENDITURES:				
General Government	-	-	1,396	1,396
Public Safety	-	17,408	-	17,408
Public Works	1,851	-	-	1,851
TOTAL EXPENDITURES	1,851	17,408	1,396	20,655
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52,762	9,794	(771)	61,785
FUND BALANCES(DEFICIT), APRIL 1	40,922	31,214	955	73,091
FUND BALANCES, MARCH 31	\$ 93,684	\$ 41,008	\$ 184	\$ 134,876

See accompanying auditors' report on supplemental financial information.

RABER TOWNSHIP
ROAD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(CASH BASIS)
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 46,330	\$ 52,494	\$ 6,164
Interest on deposits	-	897	897
Other revenue	-	1,222	1,222
TOTAL REVENUES	<u>46,330</u>	<u>54,613</u>	<u>8,283</u>
EXPENDITURES:			
Public Works	<u>43,330</u>	<u>1,851</u>	<u>41,479</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 3,000</u>	<u>52,762</u>	<u>\$ 49,762</u>
FUND BALANCE(DEFICIT), APRIL 1		<u>40,922</u>	
FUND BALANCE, MARCH 31		<u>\$ 93,684</u>	

See accompanying auditors' report on supplemental financial information.

RABER TOWNSHIP
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(CASH BASIS)
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 17,094	\$ 19,599	\$ 2,505
Intergovernmental revenue	-	1,503	1,503
Charges for services	5,275	5,817	542
Interest on deposits	-	283	283
Other revenue	10,265	-	(10,265)
TOTAL REVENUES	<u>32,634</u>	<u>27,202</u>	<u>(5,432)</u>
EXPENDITURES:			
Public Safety	<u>53,170</u>	<u>17,408</u>	<u>35,762</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (20,536)</u>	<u>9,794</u>	<u>\$ 30,330</u>
FUND BALANCE, APRIL 1		31,214	
FUND BALANCE, MARCH 31		<u>\$ 41,008</u>	

See accompanying auditors' report on supplemental financial information.

RABER TOWNSHIP
CEMETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(CASH BASIS)
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Donations and contributions	\$ -	\$ -	\$ -
Other revenue	-	625	625
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	-	625	625
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
General Government	-	1,396	(1,396)
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	(771)	(771)
	<hr/>	<hr/>	<hr/>
FUND BALANCE, APRIL 1		955	
		<hr/>	
FUND BALANCE, MARCH 31		\$ 184	
		<hr/>	

See accompanying auditors' report on supplemental financial information.

RABER TOWNSHIP
ALL AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
(CASH BASIS)
AS OF MARCH 31, 2004

	<u>04/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>03/31/04</u>
ASSETS:				
Cash and cash equivalents	\$ 226	\$ 771,969	\$ 771,899	\$ 296
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:				
Due to other governmental units	\$ 226	\$ 771,969	\$ 771,899	\$ 296
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying auditors' report on supplemental financial information.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Board of Trustees
Raber Township
Raber, Michigan

We have audited the financial statements of Raber Township for the year ended March 31, 2004, and have issued our reports thereon dated June 30, 2004. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Raber Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

In planning and performing our audit of the financial statements, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted no matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable condition we noted:

- None

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness as defined above. However, we believe that the lack of general ledger reconciliations is a material weakness.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by Raber Township are described in Note B. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by Raber Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually or in the aggregate, have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Raber Township or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Fixed Assets - We noted the Township does not maintain a detailed record of the fixed assets of the Township in the financial records as required by generally accepted accounting principles. We recommend that the Board of Trustees take appropriate action to establish fixed asset records and perform a physical inventory. This will be a requirement for implementation of GASB 34 presentation requirements.

Status: The township will establish capitalization policy and develop the required listing. The listing is partially complete.

Budgeting - Public Act 621 requires that all expenditures are to be budgeted prior to payment. During fiscal 2004, the Board had excess expenditures over amounts appropriated. Additionally, the Board did not adopt budgets in accordance with the state law for a special revenue fund type. These funds should be budgeted in accordance with Uniform Budgeting and Accounting Act guidelines.

Payroll Compliance - The Township is not currently filling out the Michigan New Hire form upon hiring new employees. These forms are required to be filled out and mailed or faxed to the State of Michigan.

New Financial Reporting Model - Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 34, "Basic Financial Statement and Management's Discussion and analysis for State and Local Governments" was recently released. The Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. The GASB developed the new requirements to make annual reports more comprehensive and easier to understand and use. We've highlighted some of the major changes below for your information.

The Statement requires governments to continue to present financial statements that provide information about funds; however, governments will now be required to report information about their most important, or "major" funds. Additionally, governments will be required to continue to provide budgetary comparison information in their annual reports; however, added to that comparison will be the *original* budget.


Also required by the Statement is management's discussion and analysis (referred to as MD&A). For the first time, financial managers will be asked to share their insights in a required MD&A by giving readers an objective and easily readable analysis of the government's *financial* performance for the year. This analysis should provide users with the information they need to help them assess whether the government's financial position has improved or deteriorated as a result of the year's operations.

The use of account groups, namely the General Fixed Asset Account Group and the General Long-Term Debt Account Group, will be discontinued. Capital assets and long-term debt will be reported with other assets and liabilities of the governmental unit in a required "Statement of Net Assets." Capital assets will now be depreciated with depreciation expense reported in a required "Statement of Activities." Costs for infrastructure will be required to be capitalized and depreciated along with the more commonly known capital assets.

The requirements of this Statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Governments with less than \$10 million in revenues should apply this Statement for periods beginning after June 15, 2003, but earlier application is encouraged. The Michigan Department of Treasury has issued a draft statement of position on this GASB statement that limits the required reporting under GASB Statement No. 34.

Conclusion

This report is intended solely for the information and use of the Board of Trustees, the cognizant audit agency, and other federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.


Anderson, Tackman & Company, PLC
Certified Public Accountants

June 30, 2004